



AMERICAN LEGISLATIVE EXCHANGE COUNCIL

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May 29, 1996 FCC M

EX PARTE

William F. Canton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M St., NW, Room 222
Washington, D.C. 20554

Dear Mr. Canton:

Re: Docket No. 96-98 (Implementation of the Local Competition Provisions of the Telecommunications Act of 1996)

As you know, the American Legislative Exchange Council (ALEC) was very active during the Congressional debate leading up to the enactment of the Telecommunications Act of 1996. ALEC was especially vocal about bringing the benefits of competition to all markets and retaining the authority of states to regulate intrastate services. Upon enactment of the Act, ALEC was pleased that our objectives had been met.

As the nation's largest membership organization of state legislators, ALEC has educated state lawmakers on the need for regulatory reform for many years. Most recently the Task Force on Telecommunications and Information Technology, which I chair and is comprised of over 100 state legislators representing all fifty states, published *Competitive Telecommunications: Four Principles for Free Market Reform (The State Factor, Vol. 21, No. 7, American Legislative Exchange Council, Nov. 1995)*, indicating the need for less regulation, not more.

Now that the details of and debate regarding implementation of the Act have moved to the Commission, ALEC plans to be just as diligent ensuring that our concerns, as recognized by Congress, are similarly heard and addressed by the FCC. While ALEC is interested in a number of implementation issues, this correspondence will focus on our concerns regarding the Notice of Proposed Rulemaking (NPRM) on the interconnection issues.

Specifically, ALEC has the following concerns regarding the FCC's interconnection proposal:

1. **Too much federal intrusion into state pricing policies and procedures** - The specific, national pricing and costing proposals are not only inconsistent with the Act, but these proposals ignore years of state pricing expertise that has carefully balanced various local interests to develop overall pricing strategies that best meet state needs. States have years of experience in costing and pricing of local services, the FCC has none. The potential disruption from a nationally imposed costing and pricing methodology is extensive. Instead, the FCC should adopt similar guidelines (i.e. rates

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William F. Cantor **FCC**

May 21, 1996

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should be considered just and reasonable if they are nondiscriminatory and are based on cost. Interconnection rates may include reasonable profits.) The rest should be left to the states.

2. **Too much regulatory intrusion into negotiation and arbitration process** - By proposing detailed terms and conditions of local arrangements between competitors, the FCC will effectively preclude the good faith negotiated agreements that Congress had hoped to encourage. Interconnection agreements are currently being negotiated by parties, are being mediated and arbitrated by the states, and/or have been approved by the states. The FCC's proposals could invalidate existing interconnection agreements, chill the continued negotiations between competitors to work these agreements out as intended by Congress and will undermine any state role in these negotiations. Instead, the FCC should codify into rules the duty to negotiate and specify what areas are subject to negotiation. The rest should be left to the states and to the negotiating parties.

While we realize that the FCC has not made any final decisions regarding interconnection, we are concerned that the proposals contained in the NPRM indicate a desire to exercise a heavy, regulatory and preemptive hand on these competitive issues which is contrary to the Act. In fact, we have heard concerns from state representatives that the gains the states have made toward implementing local competition may not only be halted, but could actually be undone by the NPRM's proposals. We urge the FCC to allow the states to continue the excellent work to bring competition to local markets with minimal federal regulatory interference. General, national, policy guidelines allowing for continued reliance on the market through negotiations and for state flexibility for implementation will be the best mechanism for continuing development of competition.

Respectfully,

Bill G. Carter

Representative Bill G. Carter, Texas
Chairman, Telecommunications and Information technology Task Force
American Legislative Exchange Council

cc: U.S. Representative Thomas J. Bliley, Jr.
U.S. Representative John D. Dingell
U.S. Representative Edward J. Markey
U.S. Representative W. J. Tauzen
U.S. Senator Ernest F. Hollings
U.S. Senator Larry Pressler